

AS

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 97-007-G - ORDER NO. 97-648
AUGUST 1, 1997

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IN RE: Annual Review of Purchased Gas Adjustment) ORDER RULING
and Gas Purchasing Policies of Piedmont) ON GAS COSTS
Natural Gas Company.) AND GAS
) PURCHASING
) POLICIES

On April 6, 1988, the Public Service Commission of South Carolina (the Commission) issued its Order No. 88-294 which requires the Annual Review of the Purchased Gas Adjustment (PGA) and Gas Purchasing Policies of Piedmont Natural Gas Company (Piedmont or the Company).

By letter, the Commission's Executive Director instructed the Company to publish a prepared Notice of Filing, one time, in a newspaper of general circulation in the area affected by the Company's Application. The Notice of Filing indicated the nature of the Company's Application and advised all interested parties of the manner and time in which to file appropriate pleadings for participation in the proceedings. The Company was instructed to directly notify all of its customers affected. The Company submitted affidavits indicating that it had complied with these instructions.

Pursuant to our Order No. 97-529, testimony and exhibits were prefiled by both the Company and the Commission Staff. On July

24, 1997, we held that the hearing in this matter would be cancelled, subject to all parties agreeing with the Staff's Report in this matter. On July 29, 1997, we determined that all parties agreed with Staff's Report. Accordingly, the hearing was cancelled. We hereby establish a record in this case by allowing all testimony into the record, and admitting all hearing exhibits as submitted into the record. Therefore, we will analyze and summarize the testimony, and make our conclusions accordingly.

Company witness Keith P. Maust presented testimony with respect to the Company's "best cost purchasing policy," and the steps taken during the review period to comply with that policy. Maust testified that the Company is satisfied that the policies and procedures presently in place are prudent, and that they have produced adequate amounts of reasonably priced gas for Piedmont's customers. Maust further testified that Piedmont did not make any changes in its "best cost" gas purchasing policies or practices during the year, but it did contract for additional firm transportation to meet the needs of its rapidly growing market, consistent with the "best cost" policy. Maust further outlined the additional steps taken by Piedmont to manage its gas costs, consistent with its overall "best cost" policy.

Company witness Ann H. Boggs presented testimony that current true-up procedures result in a properly stated cost of gas, and that Piedmont's gas costs are properly recorded in compliance with Commission Orders. Further, Boggs stated that the Deferred Account balance is properly stated, including interest thereon at

the overall rate of return.

Staff witness Norbert M. Thomas presented testimony that the Accounting Staff had reviewed the monthly filings made by the Company, and the activity included in Account No. 253.04 for the period April, 1996 through March, 1997. Thomas testified that it was Staff's opinion that the adjusted balance at March 31, 1997 of (\$3,464,462) fairly represents the amount owed the Company by ratepayers, and that the amount is accurately stated and in compliance with prior Commission Orders.

Staff witness Brent L. Sires also presented testimony. Sires testified that the Utilities Department has found that the Company's PGA is being operated in compliance with the various appropriate Commission Orders.

Staff's review as per witness Sires of gas prices during the review period, along with the monthly balances of Deferred Account 253.04 indicated that a \$2.50 per dekatherm benchmark cost of gas was appropriate. Sires noted that the Company has made a PGA filing identified as GCRM-87 (Gas Cost Recovery Mechanism) to be effective July 1, 1997 to increase the benchmark cost of gas from \$2.11 to \$2.50 per dekatherm. Sires expressed the opinion on behalf of Staff that this benchmark cost of gas is representative of the Company's gas cost on average over the next twelve (12) months.

Sires further stated his belief that the Company is acting prudently in arranging for supplies to meet the requirements of its firm customers today, as well as in the future.

Based on the record as a whole, the Commission concludes that the Company's gas purchasing practices and policies are prudent.

Further, we adopt the benchmark cost of gas of \$2.50 per dekatherm. Staff has supported the position that this benchmark cost of gas is representative of the Company's gas cost on average over the next twelve (12) months.

IT IS THEREFORE ORDERED THAT:

1. Piedmont is hereby permitted to maintain its commodity cost of gas at \$2.50 per dekatherm, as requested in Piedmont's filing. This amount is without prejudice to Piedmont's right to further revise the benchmark in accordance with provisions of its PGA, if future conditions warrant, and is without prejudice to the parties' right to request review of the benchmark in accordance with the Commission's PGA provisions.

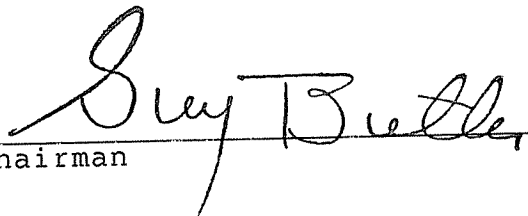
2. The current procedures in Piedmont's PGA result in a properly stated cost of gas recorded in compliance with Commission Orders, and the Deferred Account activity was properly recorded and reported to the Commission as required.

3. The Company's gas purchasing practices and policies are hereby found to be prudent.

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4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)